



CITY OF SANTA BARBARA

FINANCE COMMITTEE AGENDA REPORT

AGENDA DATE: May 25, 2010

TO: Finance Committee

FROM: Administration Division, Finance Department

SUBJECT: Fiscal Year 2010 Budget Balancing Options

RECOMMENDATION:

That the Finance Committee hear a report from staff as a follow-up to information requested from the Finance Committee relating to the balancing strategy and options presented for Fiscal Year 2010.

DISCUSSION:

On Tuesday, March 30, 2010, staff presented to the Finance Committee and Council a set of recommendations to close the projected General Fund budget gap in Fiscal Year 2010 resulting from revenue declines caused by the economic recession. The Finance Committee and City Council approved the recommendations, one of which was shifting franchise fees that have been accruing to the Solid Waste Fund since 2003 to the General Fund, effective July 1, 2009.

Staff also presented other options for consideration which would provide added assurance that the General Fund would not need to use any reserves by fiscal year-end. One of these options was having the Redevelopment Agency (RDA) increase its funding to the Downtown Parking Fund's capital program in an amount equal to what the General Fund was paying to the Downtown Organization for maintenance of State Street sidewalks. For fiscal year 2010 only, the Downtown Organization could pay the General Fund's portion of the contract totaling \$312,621 from the savings derived from having the RDA fund an equal amount of the Downtown Parking Fund's capital program. The net result is that the General Fund would realize a one-time savings of \$312,621.

At the same meeting, the Finance Committee directed staff to: (1) present the proposal to the Downtown Parking Committee for their comments and feedback; and (2) develop a strategy for the repayment of franchise fees collected from Fiscal Year 2003 through 2009 totaling \$2.6 million. Each of these is discussed below.

Feedback from Downtown Parking Committee (DPC)

The DPC recognized the benefit to the General Fund and the lack of financial impact to the Downtown Parking Fund of using RDA funds for Downtown Parking Fund capital. However, the DPC was concerned that this would set a precedent that may ultimately lead to shifting the full cost of maintaining State Street sidewalks to Downtown Parking on a permanent basis. The DPC also indicated that they did not believe there was sufficient nexus between the Downtown Parking operation and the maintenance of State Street sidewalks to support the current allocation of the maintenance costs.

The DPC was also concerned about the impacts of losing the ongoing funding currently provided by the RDA in several years when the RDA reaches its cap for collecting tax increment revenues. With the adoption of the Fiscal Year 2010 budget, the City Council and RDA Board approved an ongoing contribution from the RDA to the Downtown Parking Fund in the amount of \$112,000 per year for its capital program. This funding was intended to partially mitigate the shift of 50% of the contract with the Downtown Organization totaling \$312,621 from the General Fund to the Downtown Parking Fund starting July 1, 2009.

Repayment of Franchise Fees by the Solid Waste Fund to the General Fund

Since Fiscal Year 2003, franchise fees collected from the City's two contracted refuse haulers, MarBorg Industries and Allied Waste Industries, have been accounted for in the Solid Waste Fund and have been used to fund Environmental Services Division programs and services. From 2003 through 2009, a total of \$2.6 million has been collected in solid waste franchise fees.

Starting in Fiscal Year 2010, Council authorized the shift of franchise fees from the Solid Waste Fund on a prospective basis. For Fiscal Year 2010 and 2011, the estimated revenues from franchise fees total \$440,000 per year.

In connection with the Finance Committee's review of staff's proposed shift of franchise fees, the Finance Committee asked staff to calculate the total franchise fees collected by the Solid Waste Fund and to develop a payback strategy, if practical, to the General Fund for the total \$2.6 million collected from through June 30, 2009.

At the meeting of May 25, staff will present a multi-year forecast of the Solid Waste Fund, which will reflect the recent and ongoing shift of franchise fees to the General Fund and the impacts of the sharp decline in recycling revenues. Based on the multi-year forecast, staff will present alternative repayment strategies for the \$2.6 million in franchise fees collected in the Solid Waste Fund.

SUBMITTED BY: Robert Samario, Interim Finance Director

APPROVED BY: City Administrator's Office